

## Message Text

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PAGE 01 PRAGUE 03540 131125Z  
ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 PM-05 INR-07 L-03 ACDA-12  
NSAE-00 PA-01 SS-15 PRS-01 SP-02 USIA-06 TRSE-00  
DODE-00 EB-08 COME-00 FRB-03 OMB-01 NSC-05 CU-04  
BIB-01 HA-05 /092 W  
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FM AMEMBASSY PRAGUE  
TO USMISSION USNATO  
INFO SECSTATE WASHDC 4304

C O N F I D E N T I A L PRAGUE 3540

USNATO FOR PAPENDORP

E.O. 11652: GDS  
TAGS: EGEN, CSCE, NATO, CZ  
SUBJECT: EMBASSY COMMENTS ON DOCUMENT ON CSSR

REFS A. USNATO 12317 B. PRAGUE 3225 C. PRAGUE A-57,  
D. PRAGUE A-27

1. EMBASSY UNFORTUNATELY RECEIVED POUCHED COPY OF NATO  
ECONOMIC COMMITTEE WORKING PAPER AC/127-WP/528 ("CZECHOSLOVAKIA:  
ECONOMIC PROBLEMS AND DEVELOPMENTS, 1976-77,  
AND PROSPECTS") TOO LATE TO COMMENT BEFORE DECEMBER 1.  
DOCUMENT CONTAINS A FEW STATISTICAL DISCREPANCIES FROM WHAT WE HAVE  
REPORTED EARLIER (REFS B, C AND D), BUT  
THIS PROBABLY IS DUE MAINLY TO OUR USE OF PRELIMINARY DATA WHICH  
WERE LATER REFINED. MOST OF THESE DISCREPANCIES ARE MINOR, BUT  
A FEW ARE NOT EASILY EXPLAINED. FOR EXAMPLE, TABLE II SHOWS  
TOTAL FOREIGN TRADE DEFICIT (FIGURES IN MILLIONS)  
GOING FROM 729 IN 1975 TO \$309 IN 1976 WHEREAS OUR COMPARABLE FIGURES

ARE \$674 AND \$605 (CONVERTING CROWN TO DOLLAR WITH OFFICIAL  
RATES OF \$1 EQUALS 5.58 CROWNS IN 1975  
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PAGE 02 PRAGUE 03540 131125Z

AND 5.75 CROWNS IN 1976.) TO REDUCE CONFUSION, WE SUGGEST THAT  
EXCHANGE RATES BE SPECIFIED BY YEAR. (SEE REF D AND PREVIOUS  
ECONOMIC TRENDS REPORTS).

2. MORE IMPORTANTLY, WE AGREE WITH SUBSTANCE OF ANALYSIS.  
DOCUMENT MIGHT BE STRENGTHENED, NEVERTHELESS, BY ADDING TWO  
ADDITIONAL COMMENTS AT END OF SPECIFIED PARAGRAPHS:

(A) PARA 28, P. 9: " BECAUSE OF ITS VERY LOW LEVEL  
OF WESTERN DEBT, CZECHOSLOVAKIA HAS THE OPTION OF SIGNIFICANTLY  
INCREASING THE PACE OF ITS HARD CURRENCY BORROWINGS TO EXPEDITE THE  
NECESSARY RE-EQUIPPING AND RE-STRUCTURING OF ITS EXPORT INDUSTRIES.  
HOWEVER, IT STILL APPEARS THAT THIS OPTION WILL NOT BE VIGOROUSLY  
PURSUED AND THAT THE PRESENT CAUTIOUS ATTITUDE TOWARD BORROWING IN THE  
WEST WILL CONTINUE."

(B) PARA 29, P.10: "IN COPING WITH THE CURRENT ECONOMIC  
MALAISE, CZECHOSLOVAK AUTHORITIES FACE SERIOUS POLITICAL RESTRAINTS  
THAT SEVERELY LIMIT THEIR FREEDOM OF ACTION. HOWEVER, SHOULD  
THE ECONOMIC SITUATION WORSEN DRASTICALLY OR THE  
POLITICAL CLIMATE FOR ECONOMIC REFORM MEASURES IMPROVE, THEY MIGHT  
BE WILLING TO TAKE BOLDER STEPS TO DEAL WITH THEIR  
FUNDAMENTAL ECONOMIC PROBLEMS."  
FROWICK

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